

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6459

BILL NUMBER: HB 1251

NOTE PREPARED: Jan 5, 2012

BILL AMENDED:

SUBJECT: Tax credit for hiring veterans.

FIRST AUTHOR: Rep. Davisson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a tax credit against state tax liability each taxable year to an employer who hires an eligible returning veteran in the amount of \$750 for each eligible returning veteran the employer hires during the taxable year, adjusted for the fraction of the taxable year the eligible returning veteran is employed.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect this tax credit. The DOR's current level of resources should be sufficient to implement the change.

Explanation of State Revenues: This bill would provide a tax credit each taxable year of up to \$750 to an employer for each eligible returning veteran the employer hires. The individual must have been on active duty within one year immediately preceding the date the individual is hired. The amount of the credit would be adjusted based on the fraction of the taxable year (assuming 2,000 hours per year) the individual is employed. The credit may be taken against the taxpayer's Adjusted Gross Income (AGI) Tax liability, Financial Institutions Tax liability, or Insurance Premiums Tax liability. The maximum credit is \$750.

Under the bill, the credit begins in tax year 2013; thus, the fiscal impact will commence in FY 2014. Revenue from the AGI Tax, Financial Institutions Tax and Insurance Premiums Tax is deposited in the state General Fund.

The tax credit is non-refundable, and unused credit amounts may not be carried back. However, a taxpayer

may carry forward any unused credit amount for up to four subsequent years. For pass through entities, the credit may be claimed by shareholders, partners, or members in proportion to their distributive income from the pass through entity.

There are a number of restrictions on applying for the credit. An employer who is required by federal or state law to hire or rehire an eligible returning veteran may not claim the credit. Also, an employer does not qualify for the credit if the employer is already claiming another credit for hiring the individual.

The bill applies to all active duty personnel who will separate and enter the civilian workforce within two years of separation. It also applies to those active duty personnel who work part-time, and to all guard and reserve personnel who were on active duty and would be seeking civilian employment within two years of being on active duty.

The bill may encourage employers to hire more veterans. In any particular year the number of veterans that would be impacted by this bill is indeterminable at this time. For every 1,000 veterans that gain full-time employment under this bill, the total maximum credit each year would be $1,000 * \$750$ or \$750,000. The state General Fund would be reduced by this amount.

Background Information: Based on the latest data from the US Dept of Veteran Affairs, approximately 13,000 Indiana veterans will separate from active service from FY 2012 to FY 2014. The number of national guard and reserve personnel who will be separating is currently unknown. Current law stipulates that a member of the Indiana National Guard is entitled to receive from the member's employer a leave of absence for the total number of days that the member is on state active duty. This is in addition to the member's regular vacation period. The leave of absence may be with or without loss of time or pay at the discretion of the member's employer.

Veterans are entitled to employment assistance at both the state and federal level. For example, the Indiana Department of Workforce Development, with funding from the US Department of Labor provides job assistance services to qualified veterans. The Gold Card initiative provides unemployed post-9/11 era veterans with the intensive and follow-up services they need to succeed in today's job market. This is a joint effort of the Department of Labor's Employment and Training Administration and the Veterans' Employment and Training Service.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue

Local Agencies Affected:

Information Sources: US Department of Veterans Affairs, <http://www.va.gov/vetdata/>; Department of Workforce Development.

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